

2008 TAX YEAR INFORMATION

KTRS mailed the 1099R tax forms during the last week of January 2009. The tax statement contains confidential information and can only be mailed to the member's address currently on record with KTRS. For your privacy and protection, the member, power of attorney, or beneficiary, must submit a written request to KTRS in order to send the 1099R form to an address that is different from the one currently on record with KTRS. The written request may be mailed to KTRS, or faxed to (502) 573-0254. This special request will not change your permanent address record unless you specifically request that it be changed. You may also visit the KTRS Website at www.ktrs.ky.gov for additional information and forms, including the change of address forms.

To request a duplicate for a lost 1099R form, please call 1-800-618-1687. The KTRS Call Center staff will verify your correct name and address for mailing the duplicate form and for the permanent record file.

KTRS 502/848-8500
Toll Free 800-618-1687
KERS 502-696-8800
Toll Free 800-928-4646
Deferred Compensation 502-573-7925
Toll Free 800-542-2667
KY Revenue Cabinet 502-564-4581
IRS 800-829-1040



THE EASY EXPLANATION

BOX 1

Shows your total KTRS pension benefit prior to withholdings.

BOX 1 (less)
BOX 2a = BOX 5

BOX 2a

Shows the taxable portion of your benefit. If blank, box 2b "Taxable Amount Not Determined" should be marked. In this case, please see your tax advisor.

BOX 5

Shows the nontaxable portion of the total. This amount is **NOT** reported anywhere on your tax return. It is an 'information only' box.

BOX 9b

This box will **only** show an amount in the first year of retirement. It provides the total amount of previously taxed contributions.

Form 1099R 2008	OMB No. 1545-0119 Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. This information is being furnished to the Internal Revenue Service.		Payer's Federal ID Number	STATE <i>COPY 1 - File with Recipient's STATE Tax Return</i>
Recipient Information	1 Gross Distribution BOX 1	2a Taxable Amount BOX 2a		2b Taxable Amount Not Determined <input type="checkbox"/> Total Distribution <input type="checkbox"/>
	3 Amount in Box 2a Eligible for Capital Gain Section	4 Federal Income Tax Withheld		5 Employee Contributions BOX 5
Recipient Identification Number	6 Net unrealized appreciation in employer's securities	7 Distribution Code	IRA/SEP/Simple <input type="checkbox"/>	8 Other
Payer's Full Name and Address KENTUCKYTEACHERS' RETIREMENT SYSTEM 479 VERSAILLES ROAD FRANKFORT KY 40601-3800	9a Your Percentage of Total Distribution	9b Total Emp. Contribution BOX 9b		10 State Tax Withheld
	11 State/Payer's State Number KY 077156	12 State Distribution	State Taxable Percentage <div style="text-align: right;">%</div>	

BOXES 10 - 13 Shows the state tax information. KTRS does not withhold state taxes. Only pension income attributable to service credit earned after January 1, 1998, is subject to **Kentucky** state taxes. Outside Kentucky, your resident state tax regulations apply.

KENTUCKY STATE TAX LAWS

The good news is that when calculating your Kentucky state income tax liability, there is a \$41,110 EXCLUSION for total state taxable pension income on the Form 740 Kentucky Income Tax Return. Your Form 740 begins with the federal adjusted gross income (AGI). Schedule M of the KY state return allows adjustments to the federal AGI. Schedule P of the KY state return is NOT always required; it reports pension income in more detail. You may want to take this newsletter to your tax preparer.

Other Considerations . . .

You must compute the state taxable amount. Multiply the state taxable percentage (next to box 12) by the federal taxable amount in box 2a to arrive at the state taxable amount. DON'T FORGET TO APPLY THE KENTUCKY PENSION INCOME EXCLUSION AGAINST THE STATE TAXABLE AMOUNT.

Kentucky Tax Form 740 - Schedule M

Add all your 1099R, Box 2a,
FEDERAL taxable amounts.

IF THE TOTAL IS UNDER \$41,110 YOU DO NOT HAVE TO FILL OUT KY 740 - SCHEDULE P. Just subtract the amount from the federal AGI by entering the amount on Part II, line 9. Therefore, you do not owe any state taxes on pensions.

IF THE TOTAL IS OVER \$41,110 YOU MUST FILL OUT KY 740 - SCHEDULE P. Even if you are required to fill out a KY 740 - Schedule P, most retired teachers still do not owe any state taxes.

Kentucky Tax Form 740 - Schedule P

Add all your 1099R, STATE taxable amounts. Enter the total on Part II of Schedule P.

IF THE TOTAL IS UNDER \$41,110 YOU DO NOT OWE ANY KENTUCKY STATE INCOME TAX ON PENSIONS. Follow instructions on completing the schedule.

IF THE TOTAL IS OVER \$41,110 YOU OWE KY STATE TAXES ON THE AMOUNT ABOVE THE EXCLUSION AMOUNT. Again, follow instructions on completing the schedule.

CAUTION:

*Computing a Kentucky state taxable amount does not mean you owe Kentucky state taxes!!

*The requirement to prepare KY 740 - Schedule P does not mean you owe state taxes!

Retired Prior to January 1, 1998	Retired After January 1, 1998 TOTAL FEDERAL RETIREMENT INCOME LESS THAN \$41,110	Retired After January 1, 1998 TOTAL RETIREMENT INCOME ^{II} MORE THAN \$41,110
KTRS remains as KY STATE NONTAXABLE income. If you receive more than \$41,110 federal taxable pension income you still must prepare KY 740 - Schedule P.	If total federal taxable income is less than \$41,110 then all pension income is KY STATE NONTAXABLE income.	You must fill out KY 740 - Schedule P on your State Income Tax Return. Follow the instructions. Your 1099R will have the information needed to complete the KY 740 - Schedule P.